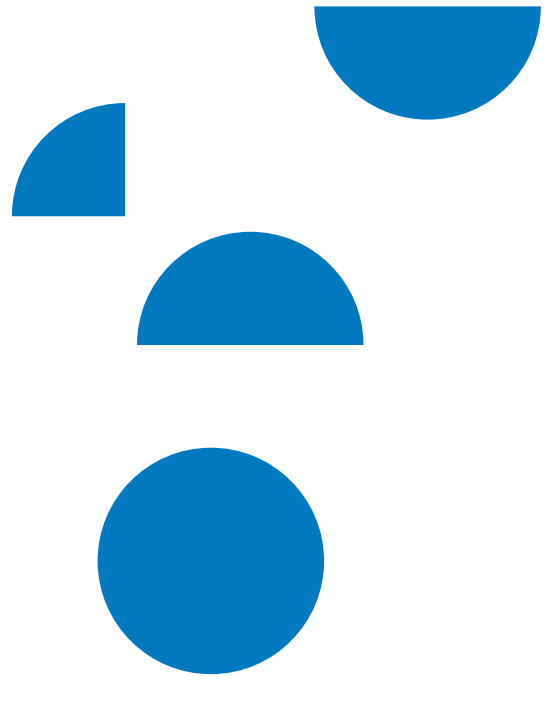




**VANCOUVER ISLAND  
REGIONAL LIBRARY**

⇒ **2013**

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**



**December 31, 2013**



Box 3333 – 6250 Hammond Bay Road  
Nanaimo, BC Canada V9R 5N3  
w: [virl.bc.ca](http://virl.bc.ca)

## **Independent Auditors' Report**

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To the Members of the Board of the Vancouver Island Regional Library:

We have audited the accompanying consolidated financial statements of Vancouver Island Regional Library, which comprise the consolidated statement of financial position, and related schedule III, as at December 31, 2013 and the consolidated statements of operations, and related schedules I and II, changes in net financial assets (debt), cash flows and internally restricted fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many not for profit organizations, the Regional Library derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Regional Library and we were not able to determine whether any adjustments might be necessary to fines and other income, operating surplus, financial assets, net financial assets (debt) and accumulated surplus.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Vancouver Island Regional Library as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

April 4, 2014

**MNP LLP**  
Chartered Accountants

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## **VANCOUVER ISLAND REGIONAL LIBRARY**

To the Board of Directors of Vancouver Island Regional Library:

### **Management's Responsibility**

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of members who are neither management nor employees of the Library. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board of Directors fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board of Directors is also responsible for appointing the Library's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Board of Directors to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Board of Directors and management to discuss their audit findings.

April 4, 2014

A handwritten signature in black ink, appearing to read 'Adrian J. Maas', written over a horizontal line.

**Adrian J. Maas, CGA**  
**Director of Finance**

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Statement "A"

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at December 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>Financial Assets</b>		
Cash and short-term investments - Note 3	\$ 9,190,396	\$ 13,764,069
Accounts receivable	193,071	82,493
Deposits - Note 15	210,285	210,285
	<u>9,593,752</u>	<u>14,056,847</u>
<b>Liabilities</b>		
Trade accounts payable	1,800,245	363,720
Wages payable	467,839	518,686
Accumulated sick payable - Note 8	315,150	280,000
Deferred revenue - Note 2 b)	61,700	70,150
Accrued benefit obligation - Note 7	382,318	375,495
Long Term Debt - Note 13	17,301,183	8,857,359
	<u>20,328,435</u>	<u>10,465,410</u>
<b>Net Financial Assets (Debt)</b>	<u>\$ (10,734,683)</u>	<u>\$ 3,591,437</u>
<b>Non Financial Assets</b>		
Tangible capital assets - Note 4 & Schedule III	23,880,364	8,959,881
Prepaid expenses	178,185	153,987
	<u>24,058,549</u>	<u>9,113,868</u>
<b>Accumulated Surplus - Note 12</b>	<u><u>\$ 13,323,866</u></u>	<u><u>\$ 12,705,305</u></u>

On behalf of the Board:

  
Chair of the Board

  
Director of Finance

Statement "B"

**VANCOUVER ISLAND REGIONAL LIBRARY**

**CONSOLIDATED STATEMENT OF OPERATIONS**

**For the year ended December 31, 2013**

	<b>Budget</b>	<b>2013</b>	<b>2012</b>
	See Note 10		
<b>Revenues</b>			
Municipal levies	\$ 11,947,634	\$ 11,947,617	\$ 11,288,640
Rural levies	5,519,162	5,519,162	5,197,984
Government grants - Note 5	1,200,765	1,282,983	1,345,160
Fines and other income	485,645	592,191	570,550
Contributed Tangible Capital Asset	-	-	127,900
Interest earned	75,250	123,904	135,879
	<u>19,228,456</u>	<u>19,465,857</u>	<u>18,666,113</u>
<b>Expenses</b>			
Wages and benefits - Schedule I	10,845,226	10,552,075	10,011,561
Branch costs	3,481,087	3,365,834	3,241,164
Miscellaneous Library materials	8,175	6,261	7,068
Administration costs - Schedule II	2,145,163	1,981,551	1,983,649
Retirement benefit accrual - Note 7	81,500	31,515	85,131
Amortization Expense	2,910,060	2,910,060	2,426,385
	<u>19,471,211</u>	<u>18,847,296</u>	<u>17,754,958</u>
<b>Annual surplus</b>	(242,755)	618,561	911,155
Accumulated Surplus beginning of the year	<u>12,705,305</u>	<u>12,705,305</u>	<u>11,794,150</u>
<b>Accumulated surplus End of Year</b>	<u><u>\$ 12,462,550</u></u>	<u><u>\$ 13,323,866</u></u>	<u><u>\$ 12,705,305</u></u>

Statement "C"

**VANCOUVER ISLAND REGIONAL LIBRARY**

**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)**

**For the year ended December 31, 2013**

	<b>Budget</b>	<b>2013</b>	<b>2012</b>
	See Note 10		
<b>Annual surplus (deficit)</b>	\$ (242,755)	\$ 618,561	\$ 911,155
Acquisition of Tangible Capital Assets	(21,509,096)	(17,830,542)	(3,845,192)
Amortization of Tangible Capital Assets	2,910,060	2,910,060	2,426,385
Contributed Tangible Capital Assets	-	-	(127,900)
	<u>(18,841,791)</u>	<u>(14,301,921)</u>	<u>(635,552)</u>
<b>Acquisition of Prepaid Expenses</b>	-	(178,185)	(153,987)
<b>Use of Prepaid Expenses</b>	-	153,986	192,112
	<u>-</u>	<u>(24,199)</u>	<u>38,125</u>
Increase in Net Debt	(18,841,791)	(14,326,120)	(597,427)
Net Financial Assets beginning of year	<u>3,591,437</u>	<u>3,591,437</u>	<u>4,188,864</u>
<b>Net Financial Assets (Debt) end of year</b>	<u><b>\$ (15,250,354)</b></u>	<u><b>\$ (10,734,683)</b></u>	<u><b>\$ 3,591,437</b></u>



Statement "D"

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2013**

	<b>2013</b>	<b>2012</b>
<b>Cash provided (used):</b>		
<b>Operating activities:</b>		
Annual surplus	\$ 618,561	\$ 911,155
Amortization expense	2,910,060	2,426,385
Contributed Tangible Capital Asset	-	(127,900)
<b>Changes in non-cash operating accounts:</b>		
(Increase) decrease in accounts receivables	(110,578)	52,786
(Decrease) increase in prepaid expenses	(24,198)	38,125
Increase (decrease) in trade accounts payable	1,436,524	(6,649)
Increase (decrease) in accumulated sick payable	35,150	(30,498)
Increase in accrued benefit obligation	6,823	58,697
(Decrease) increase in wages payable	(50,847)	22,686
(Decrease) in deferred revenue	(8,450)	(52,064)
(Increase) in deposits	-	(210,285)
	<u>4,813,045</u>	<u>3,082,438</u>
<b>Capital activities:</b>		
Acquisition of Tangible Capital Assets	<u>(17,830,542)</u>	<u>(3,845,192)</u>
<b>Financing Activities:</b>		
Long Term Debt Proceeds	8,610,000	1,000,000
Principal Repayments	<u>(166,176)</u>	<u>(142,641)</u>
	<u>8,443,824</u>	<u>857,359</u>
<b>Increase/(Decrease) in cash</b>	(4,573,673)	94,605
<b>Cash, beginning of the year</b>	<u>13,764,069</u>	<u>13,669,464</u>
<b>Cash, end of the year</b>	<u><u>\$ 9,190,396</u></u>	<u><u>\$ 13,764,069</u></u>

"The accompanying notes are an integral part of these financial statements."

Statement "E"

**VANCOUVER ISLAND REGIONAL LIBRARY**

**CONSOLIDATED STATEMENT OF  
INTERNALLY RESTRICTED FUND BALANCES**

For the year ended December 31, 2013

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Internally-restricted Funds</b>						
Outfitting & New/Expanded Facilities	\$ 1,459,184	\$ 1,633,290	\$ 2,138,628	\$ 1,931,630	\$ 1,511,133	\$ 959,813
Long-term maintenance	469,484	434,038	265,932	233,246	201,863	184,793
Integrated Library System replacement	287,579	248,473	210,066	172,031	135,046	-
Books	304,340	194,340	237,340	237,340	237,340	471,828
Accrued sick reserve	271,112	115,331	58,444	-	-	-
Fundraising	111,870	105,627	101,410	93,511	98,455	88,897
Computer equipment	199,993	93,650	338,776	354,237	383,888	406,541
Prior years general reserve	80,084	80,084	80,084	103,873	123,794	169,627
Human resources issues	60,782	60,118	59,514	58,901	58,547	65,346
Friends Reserve	11,354	46,051	44,119	42,302	39,757	-
Furnishings and equipment	65,714	45,017	24,615	26,247	153,217	136,598
Vehicles	55,404	34,319	81,589	83,620	186,366	163,994
Summer employment	16,494	16,314	16,150	25,034	24,883	24,617
BCGEU Continuing Ed	7,570	13,653	13,694	8,415	3,136	11,145
Insurance deductibles	-	-	-	-	20,000	20,000
First Nations	-	-	-	-	-	640
<b>Total Internally Restricted Funds</b>	<b>\$ 3,400,964</b>	<b>\$ 3,120,305</b>	<b>\$ 3,670,361</b>	<b>\$ 3,370,387</b>	<b>\$ 3,177,425</b>	<b>\$ 2,703,839</b>

"The accompanying notes are an integral part of these financial statements."

# VANCOUVER ISLAND REGIONAL LIBRARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

### 1 Organization

The Vancouver Island Regional Library is a regional library with administrative offices located in Nanaimo, B.C. It serves customers in 38 locations, as well as 2 volunteer book stations and books by mail service, on Vancouver Island, Haida Gwaii (the Queen Charlotte Islands), and the Central Coast of BC. Card holders can borrow materials from any location. The Library was established in 1936 under the Library Act of British Columbia. The Library is a registered charity and is exempt from income taxes as long as certain conditions are met.

### 2 Significant accounting policies

The Financial statements of the Library have been prepared in accordance with Canadian public sector accounting standards with significant policies adopted by the Library as noted below:

#### a) Tangible Capital Assets

The building, furniture, equipment, system computers, vehicles, and books are stated at Net Book Value as amortization has been recorded. Amortization is recorded on a straight-line basis over the estimated useful life of the asset, with a half year adjustment in the year of acquisition, commencing the year the asset is put into service. Assets are initially recorded at cost based on single item purchase thresholds, and group purchase thresholds. Contributed tangible capital assets are recorded at their fair value on the date of contribution. Estimated Useful lives as follows:

		Single Purchase Threshold	Group Purchase Threshold
Buildings	40 years	\$5,000	\$5,000
Leasehold Improvements	5 years	\$5,000	\$5,000
Furniture and Equipment	10 years	\$1,000	\$10,000
Vehicles	10 years	\$5,000	\$5,000
Computer Equipment	3 years	\$3,000	\$15,000
Books	5 years	none	none

In accordance with PS 3150 Tangible Capital Assets the Library has adopted a policy of expensing interest related to construction projects.

#### b) Deferred revenue

Grant amounts with external restrictions are deferred and recognized as revenue in the period in which the corresponding expenditures are incurred. Changes to the deferred revenues for 2013 are as follows:

	2013	2012
Opening Deferred Grant Revenue	\$ 70,150	\$ 122,213
Total of New Grants Received	13,285	120,395
Less recognized as Revenue	(21,735)	(172,458)
Ending Balance of Deferred Grant Revenue	<u>\$ 61,700</u>	<u>\$ 70,150</u>

**c) Use of estimates**

The preparation of the financial statements of the Vancouver Island Regional Library, in accordance with Canadian public sector accounting standards, requires management to make estimates and assumptions of values which affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Amounts are based on best estimates, but actual amounts may vary from the amounts recorded. Adjustments, if any, will be reflected in the period of settlement.

- i) Amortization is based on the estimated useful lives of tangible capital assets.
- ii) Accrued benefit obligation is based on an estimate of accumulated termination benefits.
- iii) Accumulated sick payable is based on an estimate of future sick time usage.
- iv) Accounts Receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in operating surplus in the year they become known.

**d) Revenue Recognition**

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Grants that have been received in advance of services being rendered are recorded as deferred revenue until the Library discharges the obligations that led to the collection of funds. Following are the types of revenue received and a description of their recognition:

- i) Municipal and rural levies are recognized in the year levied
- ii) Interest earned, fines and other income are recorded in the year they are earned

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

### 3 Cash and short-term investments

Short-term investments include 779,527 (2012 - 119,991) units of Municipal Finance Authority of British Columbia money market fund. The CIBC GIC was purchased in March 2013 and has a maturity rate of 1.35%, maturing March 2014.

The rates of return vary depending on the rates of return of the items held. Cash and short term investments are recorded at their cost which is equal to their fair market value and include:

	<u>2013</u>	<u>2012</u>
Cash	\$ 395,117	\$ 760,175
CIBC GIC	1,000,000	1,012,082
Municipal Finance Authority of British Columbia - money market fund	7,795,279	11,991,812
	<u><b>\$ 9,190,396</b></u>	<u><b>\$ 13,764,069</b></u>

The general bank account has an overdraft limit up to \$30,000 and carries interest at prime.

### 4 Tangible Capital Assets

The land at 6250 Hammond Bay Road in Nanaimo, BC was acquired by way of a crown grant from the Province of BC (valued in 1994 by BCAA at \$167,831). Should the Library ever wish to dispose of it, it is likely that a value would have to be negotiated with the Province of BC.

Work in Progress is for building(s) owned by the Library that were under construction during the year but not completed and put into service by the fiscal year end.

For Additional Information, see Consolidated Schedule of Tangible Capital Assets (Schedule III).

The Library also owns certain donated artworks which have not been capitalized due to the uncertainty of the value.

<b>Description</b>	<b>Location</b>	<b>Estimated</b>
		<b>Value</b>
Totem Pole	Cowichan	\$ 50,000

### 5 Government grants

	<u>2013</u>	<u>2013 Budget</u>	<u>2012</u>
Incorporated areas @\$1.78 - \$2.20 per capita	\$ 653,841		\$ 642,987
Rural areas @ \$3.90 - \$4.10 per capita	539,479		550,332
	<u>1,193,320</u>	<u>1,193,320</u>	<u>1,193,319</u>
Other Provincial Grants	76,378	7,445	77,770
Federal Grants	13,285	-	74,071
	<u><b>\$ 1,282,983</b></u>	<u><b>\$ 1,200,765</b></u>	<u><b>\$ 1,345,160</b></u>

## 6 Pension obligations

Vancouver Island Regional Library and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 80 contributors Vancouver Island Regional Library.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1.37 billion funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan. Vancouver Island Regional Library paid \$710,069 (2012 - \$696,973) for employer contributions to the plan in fiscal 2013.

## 7 Accrued benefit obligation

This liability represents an estimate of the amount of accumulated termination benefits. The following data is a result of applying an actuarial method in valuating the liability at December 31, 2013. Significant assumptions used in the valuation include a discount rate of 3.7% and inflation of 2.5%. There are no unamortized gains or losses. Prior to 2005, an actuarial method was not used for the accrued benefit obligation.

The severance calculation is based on the current contractual obligation that states that permanent full time employees who have ten (10) years of consecutive service and who retire on the Municipal Pension Plan after their sixtieth (60th) birthday, but on or before their seventieth (70th) birthday, will be awarded two (2) months' pay at the rate that prevailed at the time of retirement. Permanent part time employees severance calculation varies in that the employee will receive an award of their average monthly earnings based on the previous six months earnings.

	<u>2013</u>	<u>2012</u>
Provision for accrued benefit obligation, beginning of the year	\$ 375,495	\$ 316,797
Payments during the year	(24,692)	(26,433)
Interest earned	4,027	3,159
Contribution/(Reduction) to provision during the year	27,488	81,972
Provision for accrued benefit obligation, end of the year	<u>\$ 382,318</u>	<u>\$ 375,495</u>

## 8 Accumulated Sick Payable

The Vancouver Island Regional Library provides for sick leave under the following conditions:

- (a) All CUPE, BCGEU, and Exempt full time accumulate one and one half days of sick leave per month.
- (b) CUPE staff are limited to accumulate the equivalent of 120 working days pay, while BCGEU and Exempt employees are limited to accumulate 130 working days pay.
- (c) Regular Part Time CUPE, BCGEU, and Exempt employees are allowed the same earning rates and limits with the exceptions that the amounts are prorated to an equivalent amount based on their regular appointed schedules.
- (d) Sick leave can only be used for paid time off for illness of the employee. Sick leave taken is paid at the employee's normal rate of pay at the time.
- (e) There is no provision for payment of any unused sick bank balance on termination of employment.

The estimate for the total accumulated liability is \$1.5 million, while the accrued balance is \$315,150 (2012 - \$280,000). VIRL budgets a portion of the liability each year based on historical usage. The amount of sick time used and expensed in 2013 was \$315,151 (2012 - \$278,795).

In Managements' estimation in order to provide for a severe pandemic or catastrophe the annual accrual should be augmented by a reserve such that 40-50% of the total potential liability is on hand. This will be accomplished by utilizing under expenditures in the wages and benefits beginning in 2011 until this objective is achieved. The proposed level of funding is reinforced by an analysis done in 2009 that showed that of the annual entitlement granted during an employee's career that approximately 70% of earned time was consumed by the time of retirement. A reasonable reserve of 50% of the accrued benefit, together with a reasonable amount of annual funding to cover annual consumption will protect the organization from excessive exposure to unusual events such as pandemic or catastrophe.

In 2005 VIRL adopted accrual accounting for the sick leave plan. Prior to that date the Library recognized benefit expenses equal to its payments for the actual payouts and no liability for accumulated sick leave was recorded in the statement of financial position.

Management has not conducted an actuarial valuation as VIRL has historically budgeted for annual consumption, however, over time the accrued benefit has risen and management now feels it imperative that the reserve be increased to provide protection against pandemic and catastrophe.

## 9 Commitments

The Library is committed under several lease agreements for building rentals and shared common costs which, for each of the next five years and in total, are as follows:

2014	1,423,041
2015	1,271,566
2016	1,027,180
2017	645,293
2018	471,327
	<u><u>\$ 4,838,407</u></u>

These lease agreements are all expected to be renewed as they reach expiry and the resultant liability in the future is expected to escalate rather than decline.

The Library is also committed to an annual license agreement for the integrated Library system in the amount of \$48,825 which will continue indefinitely so long as the base software is in use.

## 10 Annual budget

The financial statements include the unaudited annual budget as approved by the Library Board on September 15, 2012.

	Budget	Other capital - see note 10 a)	Capital Asset Acquisitions Budget
Balanced Budget Amount	Nil		
Transfers from Restricted reserves	(2,001,213)		
Transfers to Restricted reserves	858,985		
Budgeted decrease in Net Financial Assets	(1,142,228)		
Repayment of Long Term Debt	330,000		
Adjusted for Purchase of Tangible Capital Assets	3,479,533	<b>18,029,563</b>	<b>21,509,096</b>
Amortization of Tangible Capital Assets	(2,910,060)		
Budgeted Operating Surplus (deficit)	<b>\$ (242,755)</b>		

During 2013 functional responsibilities and reporting relationships of certain staff were changed. Some minor reallocations of budget to meet operating needs were also made. In order to aid interpretation of results the budget figures have been amended to reflect these changes as per the chart below.

	Original Budget	Scheduling staff	Labour Resource Reallocaton	Non Labour Resource Reallocation	Final Budget
Branch Services	6,104,177	-	7,908	-	6,112,085
Executive Directors Office	282,053		25,234	-	307,287
Public Services	632,744	(95,736)	(36,592)	-	500,416
Systems & Networks	743,117	-	171	2,000	745,288
Communications & Strategic Initiatives	281,140	-	(288)	-	280,852
Technical Services	393,183	-	818	-	394,001
Financial Services & Purchasing	1,616,168	-	(1,493)	-	1,614,675
Facilities & Shipping and Receiving	4,923,114	-	4,242	(12,390)	4,914,966
Projects	1,065,918	-	-	12,390	1,078,308
Human Resources	358,113	95,736	-	(2,000)	451,849
	<b>16,399,727</b>	-	-	-	<b>16,399,727</b>

### 10 a)

Capital Asset Acquisition budgets include items authorized by the board outside of the annual adoption of the budget as follows.

	Year Authorized	Total Approved Budget	Previous Year Spending	Capital included in 2013
Cowichan Lake Branch	2011	1,570,000	171,230	1,398,770
Nanaimo North Branch	2011	8,652,262	676,461	7,975,801
Nanaimo Harbourfront Branch	2013	9,500,000		8,654,992
		<b>19,722,262</b>	<b>847,691</b>	<b>18,029,563</b>

## 11 Economic Dependence

The Vancouver Island Regional Library is economically dependent on Government per-capita grants in order to continue to provide the current level of services.

## 12 Accumulated Surplus

Which is composed of:	2013	2012
Internally restricted - Statement "E"	\$ 3,400,964	\$ 3,120,305
Unrestricted	3,343,721	9,482,478
Net investment in tangible capital assets - Schedule III	6,579,181	102,522
	<b>\$ 13,323,866</b>	<b>\$ 12,705,305</b>



## 12 a) Fund accounting

The General Fund accounts for the Library's program delivery and administrative services. This Fund reports all assessments, grants, other income, and expenditures.

The capital fund reports all assets and liabilities related to the Library's tangible capital assets.

## b) Internally-restricted funds

Included in internally-restricted funds are amounts set aside from past and current operations for future operating and capital expenditures. The money in these reserve funds, and interest earned thereon, must be expended only for the purpose for which the fund was established. If the amount in the reserve fund is greater than required, The Board may transfer all or part of the balance to another reserve fund.

An evaluation of the Unrestricted surplus is carried out annually to establish the minimum surplus retention. This is done by taking the total expenditures, less current assets and current liabilities, and subtracting the designated reserves on hand. This total is multiplied by a factor of 5% to establish the minimum surplus to be retained. The amount transferred from unrestricted to restricted in 2013 was \$165,000 (2012 - \$135,179).

## 13 Long Term Debt

All Long Term Debt is borrowed from the Municipal Finance Authority of BC (MFA). Interest payments and actuarial earnings related to long-term debt obligations are recorded on an accrual basis. Actuarial revenue is investment earnings on the Library's principle payments made to, and invested by, the MFA, prior to the MFA using these funds to retire the related debt. The actuarial interest rate is set when the debt is issued to the Regional District and may be adjusted by MFA during the term of the debt as market conditions dictate that the rate can no longer be achieved. For all MFA debt issued after 2005 and later the rate is 4%. Actual actuarial earnings beyond the set rate are paid to the Regional District when the related debt has been retired. Actuarial revenue is recognized and compounded annually starting in the second year of the debt term.

Interest has been accrued as an expense to December 31, 2013. Actuarial adjustments are treated as additional principal repayments as per the schedules and advices received from the MFA. Principal payments are applied directly to loan balances in the period they accrue.

Two Debt issues have been secured by the Nanaimo Regional District for the Nanaimo North Branch, and one by the Cowichan Valley Regional District for the Lake Cowichan Branch

	<b>Nanaimo North</b>	<b>Cowichan Lake</b>	<b>Nanaimo Harbourfront</b>	<b>Total</b>
MFA Debt Issue #	117	121	126	
Initial Borrowing	\$ 8,000,000	\$ 1,000,000	\$ 8,610,000	\$ 17,610,000
Term	30 years	30 Years	25 years	
Interest rate	3.25%	3.25%	3.85%	
Annual Principal Payment	142,641	17,830	206,743	367,214
Annual Interest Payment	260,000	29,000	331,485	620,485
Total Annual Payments	<u>\$ 402,641</u>	<u>\$ 46,830</u>	<u>\$ 538,228</u>	<u>\$ 987,699</u>

### Statement A

Beginning Balance January 1, 2013	\$ 7,857,359	1,000,000	-	\$ 8,857,359
Additional Funding during 2013		-	8,610,000	8,610,000
Actuarial Adjustments Made in year	5,705	-	-	5,705
Principal Repayments	142,641	17,830	-	160,471
Ending Balance December 31, 2013	<u>\$ 7,709,013</u>	<u>\$ 982,170</u>	<u>\$ 8,610,000</u>	<u>\$ 17,301,183</u>

**13a) Long Term Debt - Principal Payments (next 5 years)**

<b>Year</b>	<b>Cowichan</b>		
	<b>Nanaimo North</b>	<b>Lake</b>	<b>Harbourfront</b>
2014	17,830	142,641	206,746
2015	17,830	142,641	206,746
2016	17,830	142,641	206,746
2017	17,830	142,641	206,746
2018	17,830	142,641	206,746

**14. MFA Debt Reserve Fund**

The Library secures its long term borrowing through the Municipal Finance Authority. As a condition of these borrowings a portion of the debenture proceeds are retained by the Authority as a debt reserve fund. These funds are not reported in the financial statements as they are eliminated on consolidation. As at December 31, 2013 the Library had debt reserve funds of \$186,170 (2012 \$90,989).

**15. Deposits**

The Library has placed landscaping surety deposits with the City of Nanaimo (\$89,185) and the Town of Lake Cowichan (\$121,100) for the construction of the Nanaimo North branch and the new Cowichan Lake branch.

**16. Comparative Figures**

Some prior years figures have been reclassified to conform to the current year's presentation.

**17. Outstanding Claims**

The Library has received two grievances from CUPE Local 401 regarding differences of opinion in interpreting and applying the collective agreement. As of December 31, the outcome of these grievances, and losses if any, are not reasonably determinable. Due to the uncertainty surrounding these grievances, no liability has been recorded.

**VANCOUVER ISLAND REGIONAL LIBRARY****GENERAL FUND EXPENSE SCHEDULE****WAGES AND BENEFITS**

For the year ended December 31, 2013

	<b>Budget</b>	<b>2013</b>	<b>2012</b>
	( Note 10)		
<b>Library services</b>			
Branch Services	\$ 6,351,509	\$ 6,225,215	\$ 5,922,356
Technical Services	388,233	361,695	343,800
Information services and network support	244,378	219,052	224,911
Projects	-	-	2,695
	<u>6,984,121</u>	<u>6,805,962</u>	<u>6,493,762</u>
<b>Corporate services</b>			
Financial Services	357,711	343,236	333,906
Shipping & Receiving	150,567	134,153	119,497
Executive Director's office	221,019	218,818	196,755
Human Resources	272,183	361,278	341,738
Communication and Strategic Direction	213,540	208,611	199,272
Facility Management	141,028	140,123	87,745
Purchasing	126,944	111,437	112,759
	<u>1,482,992</u>	<u>1,517,656</u>	<u>1,391,672</u>
<b>Total wages</b>	<u>8,467,113</u>	<u>8,323,618</u>	<u>7,885,434</u>
<b>Benefits</b>	2,359,883	2,215,093	2,114,954
<b>Hiring and training</b>	<u>18,230</u>	<u>13,364</u>	<u>11,173</u>
<b>Total wages and benefits</b>	<u><u>\$ 10,845,226</u></u>	<u><u>\$ 10,552,075</u></u>	<u><u>\$ 10,011,561</u></u>

## Schedule II

**VANCOUVER ISLAND REGIONAL LIBRARY****GENERAL FUND EXPENSE SCHEDULE****ADMINISTRATION COSTS**

For the year ended December 31, 2013

	<b>Budget</b>	<b>2013</b>	<b>2012</b>
<b>Administration</b>			
Utilities and communications	\$ 414,713	\$ 296,521	\$ 341,838
Office, photocopier, and postage	350,345	350,703	338,937
Central services' building and equipment maintenance	652,786	316,486	349,069
Furniture and equipment - small items expensed	119,976	158,595	257,069
Travel and Vehicle operation	164,641	169,421	174,049
Professional Fees	79,484	101,302	106,713
Insurance	97,000	106,807	95,416
Training and workshops	62,690	29,695	28,439
Board expenses	88,500	92,423	90,770
Promotion and advertising	49,217	67,226	60,054
Bank and payroll production charges	65,810	208,219	65,333
2010 Legacies Now	-	84,153	75,962
	<u><b>\$ 2,145,163</b></u>	<u><b>\$ 1,981,551</b></u>	<u><b>\$ 1,983,649</b></u>

## Schedule III

## VANCOUVER ISLAND REGIONAL LIBRARY

CONSOLIDATED SCHEDULE OF  
TANGIBLE CAPITAL ASSETS  
For the year ended December 31, 2013

	Library Materials	Furniture & Equipment	Computer Equipment	Vehicles	Building	Leasehold Improvements	Land	2013 Total	2012 Total
							(see note 17)		(see note 2a)
<b>Historical Cost:</b>									
Opening Balance	\$ 13,428,514	\$ 3,429,798	\$ 2,896,546	\$ 397,839	\$ 1,327,225	\$ 801,492	\$ 295,731	\$ 22,577,145	\$ 21,174,853
Additions	2,204,856	193,058	119,928	-	9,876,177	234,517	-	12,628,536	3,404,993
Less: Disposals	2,281,875	14,177	-	62,620	-	-	-	2,358,672	2,002,702
Write Downs									
	<b>13,351,495</b>	<b>3,608,679</b>	<b>3,016,474</b>	<b>335,219</b>	<b>11,203,402</b>	<b>1,036,009</b>	<b>295,731</b>	<b>32,847,009</b>	<b>22,577,144</b>
<b>Accumulated Amortization</b>									
Opening Balance	7,806,862	2,709,004	2,650,208	212,704	984,580	157,676	-	14,521,034	14,097,351
Amortization Expense	2,247,664	139,288	146,675	28,172	156,612	191,649	-	2,910,060	2,426,385
Effects of Disposals and write down adjustments	2,281,875	14,177	-	62,620	-	-	-	2,358,672	2,002,702
	<b>7,772,651</b>	<b>2,834,115</b>	<b>2,796,883</b>	<b>178,256</b>	<b>1,141,192</b>	<b>349,325</b>	<b>-</b>	<b>15,072,422</b>	<b>14,521,034</b>
<b>Work in Progress</b>	-	97,814	-	-	6,007,963	-	-	<b>6,105,777</b>	<b>903,771</b>
<b>Net Book value for the year</b>									
<b>ended December 31, 2012</b>	<b>\$ 5,578,844</b>	<b>\$ 872,378</b>	<b>\$ 219,591</b>	<b>\$ 156,963</b>	<b>\$ 16,070,173</b>	<b>\$ 686,684</b>	<b>\$ 295,731</b>	<b>\$ 23,880,364</b>	<b>\$ 8,959,881</b>
<b>Less Debt</b>								<b>17,301,183</b>	<b>8,857,359</b>
<b>Net investment in Assets</b>								<b>\$ 6,579,181</b>	<b>\$ 102,522</b>



**Vancouver Island Regional Library**

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**Strong Libraries ■ Strong Communities**

Bella Coola Bowser Campbell River Chemainus Comox Cortes Island Courtenay Cowichan Cowichan Lake Cumberland Gabriola Island  
Gold River Hornby Island Ladysmith Masset Nanaimo Harbourfront Nanaimo Wellington Parksville Port Alberni  
Port Alice Port Clements Port Hardy Port McNeill Port Renfrew Quadra Island Qualicum Beach Queen Charlotte  
Sandspit Sayward Sidney/North Saanich Sointula Sooke South Cowichan Tahsis Tofino Ucluelet Union Bay Woss